

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

JAPAN DISPLAY) (CIVIL ACTION NO.
) (2:20-cv-283-JRG
PLAINTIFF(S) ,) (2:20-cv-284-JRG
) (2:20-cv-285-JRG
versus) (
) (
TIANMA MICROELECTRONICS,) (MARSHALL, TEXAS
) (JUNE 21, 2021
DEFENDANT(S) .) (MOTION HEARING

TRANSCRIPT OF PROCEEDINGS
BEFORE CHIEF JUDGE GILSTRAP
UNITED STATES DISTRICT COURT JUDGE

SUSAN A. ZIELIE, FCRR, RMR
FEDERAL OFFICIAL STENOGRAPHIC COURT REPORTER
Official Stenographic Court Reporter
United States District Court
Eastern District of Texas
Tyler Division
211 West Ferguson Street
Tyler, Texas 75701
903-590-1065
susan_zielie@txed.uscourts.gov

1 APPEARANCES:

2 Please see sign-in sheet

1 MARSHALL, TEXAS; MONDAY, JUNE 21, 2021

2 3:30 P.M.

3 THE COURT: Be seated, please.

4 All right. This is the time set for hearing before the

03:32PM 5 Court on competing motions to compel in the Japan Display, et
6 al, versus Tianma Microelectronics case. This is Civil Action
7 Number 2:20-cv-283, 284, 285.

8 Let me call for announcements at this time. What says
9 the plaintiff?

03:33PM 10 MR. KLEIN: Plaintiff is ready. Eric Klein, Jeff
11 Swigart and Jeff Shallman on behalf of Japan Display.

12 THE COURT: Are you ready to proceed?

13 MR. KLEIN: We're ready to proceed.

14 THE COURT: What says the defendant?

03:33PM 15 MR. FINDLAY: Good afternoon, Your Honor. Eric Findlay
16 on behalf of Tianma Microelectronics. We're ready to proceed,
17 Your Honor.

18 THE COURT: All right. Thank you.

19 Well, with several hours of time on the premises to meet
03:33PM 20 and confer with regard to these competing motions, I understand
21 that there's been a fair amount of progress with regard to
22 plaintiff's motion to compel, but little to no progress with
23 regard to the defendant's motion to compel.

24 Let's do this, counsel. Let's start with the
03:34PM 25 plaintiff's motion, and what I'd like is a recital from

1 counsel. I guess we'll begin with plaintiff's counsel, and
2 then we will get a confirming acknowledgement from defendant's
3 counsel as to what you have worked out and agreed and what
4 remains outstanding and unresolved. So let me hear from the
03:34PM 5 Japan Display, et al., people on what's been resolved and what
6 remains outstanding as to your motion.

7 MR. KLEIN: Thank you, Your Honor. Eric Klein for JDI.

8 Your Honor, we've made some progress regarding the
9 worldwide sales data that we're seeking for reasonably similar
03:34PM 10 products. We've come to an agreement with the defendant on a
11 procedure to search for and identify reasonably similar
12 products.

13 The parties are going to work together to use product
14 process codes and product technology codes that are identified
03:35PM 15 as part of the individual product codes and search for products
16 and work together in good faith to come up with a list of
17 reasonably similar products. And for those reasonably similar
18 products, Tianma has agreed to produce worldwide sales data for
19 all of those products regardless of where the product,
03:35PM 20 according to its records, is shipped or billed to.

21 Tianma's records -- and their position is that if the
22 records themselves do not have a ship to or bill to address in
23 the United States, that they're not relevant. We respectfully
24 disagree, but we're moving past that.

03:35PM 25 For the products in Tianma's sales data that identify a

1 ship to or bill to address in the United States, they're going
2 to provide technical documents and GDS files for those
3 products.

4 I think that sums up the two major issues.

03:36PM 5 There are two issues that we've completely resolved, one
6 of them regarding invalidity contentions. Tianma has agreed
7 that it will not rely on any of its own prior art products to
8 the extent that those products were not charted as of May 7,
9 2021.

03:36PM 10 Tianma Microelectronics reserves the right to seek leave
11 under the normal course of the Court's rules to amend its
12 invalidity contentions.

13 Regarding the subject matter eligibility contentions,
14 the parties have maintained their previous positions regarding
03:36PM 15 the sufficiency of those disclosures but agree to reserve their
16 arguments. JDI's position is that if Tianma moves to amend
17 those, that it will oppose any supplement of those. The grand
18 total of those subject matter eligibility contentions is about
19 two pages for 15 patents, in total, so we believe that they're
03:37PM 20 insufficient. But we've agreed to take that up at a later time
21 if Tianma intends to seek to enforce those subject matter
22 eligibility contentions or seeks leave to amend them.

23 There's still an outstanding dispute regarding the
24 technical documents that are in possession of Tianma
03:37PM 25 Microelectronics' subsidiaries, including Tianma America and

1 Tianma Japan. The parties remain at an impasse with respect to
2 these two wholly owned subsidiaries of Tianma, and JDI requests
3 that Tianma be compelled to compel these two documents along
4 the same lines, and Tianma Microelectronics has agreed to
03:38PM 5 resolve this motion to compel.

6 THE COURT: All right. Thank you, Mr. Klein.

7 Let me ask someone on behalf of defendant to confirm
8 those representations, both as to what's been resolved and what
9 remains outstanding and in dispute.

03:38PM 10 MR. BARNEY: Thank you, Your Honor. James Barney on
11 behalf of defendants.

12 The plaintiff summarized the agreement correctly. He
13 also summarized the disagreement regarding the subsidiaries
14 correctly.

03:38PM 15 I believe most of what we met and conferred about today
16 was the Tianma Japan subsidiary, not so much the Tianma America
17 subsidiary. I believe there is a subpoena already out for
18 documents requested of that third party. So my understanding
19 of what we were mostly here to discuss was the discovery that
03:38PM 20 had been propounded on Tianma China to produce technical or
21 other documents that are in the possession of Tianma Japan.

22 THE COURT: Well, let's take these two remaining areas
23 of impasse up, both as to sales data and technical documents in
24 possession of these subsidiaries of the defendant.

03:39PM 25 It doesn't appear that there is any dispute that they

1 are subsidiaries. It just appears that there is a dispute as
2 to the level of possession and control and the other factors
3 that are traditionally looked at to determine whether a parent
4 can be compelled to produce items in the possession of
03:39PM 5 subsidiaries.

6 Mr. Klein, let me hear from you first on that issue.

7 MR KLEIN: Thank you, Your Honor.

8 THE COURT: What do you know, and what can you represent
9 to the Court, factually, that would meet the typical analysis
03:40PM 10 for a guardian relationship between the parent and the
11 subsidiaries here?

12 MR. KLEIN: Yes, Your Honor.

13 Tianma has collected information but it has not
14 collected from Tianma America and Tianma Japan.

03:40PM 15 What we understand the factors to be that would meet
16 this requirement of possession, custody or control, the first
17 one -- and we used the *Diamond* case, that consortium case as a
18 guide.

19 Commonality of the ownership. We know that Tianma
03:40PM 20 America and Tianma Japan are wholly owned subsidiaries of
21 Tianma Microelectronics. Tianma Microelectronics has
22 represented that there are no overlapping directors, officers
23 or employees. We do understand that the documents -- there are
24 documents and conversations between the corporations in the
03:41PM 25 ordinary course of business.

1 Your Honor, we took a third party deposition of Tianma
2 America not too long ago, just on June 8th, and we learned that
3 the engineering department at Tianma America that is in charge
4 of all of the tech support in the United States for Tianma
03:41PM 5 Microelectronics, that they have very frequent contacts about
6 customer issues in the United States with engineers at both
7 Tianma China and Tianma Japan almost on a daily basis. We
8 believe that that implies that there are documents exchanged,
9 that there is substantive information exchanged, and that
03:41PM 10 that's a commingled relationship that would support the idea
11 that Tianma Micro would have Tianma America and Tianma Japan
12 documents in its possession.

13 THE COURT: Are you telling me that there's effectively
14 a single composite engineering department for both the parent
03:42PM 15 and the subsidiaries?

16 MR. KLEIN: Your Honor, effectively, it appears that
17 way. We still haven't been able to take any discovery from
18 Tianma Japan. But we believe, with getting discovery from
19 Tianma Japan, we'd be able to confirm that.

03:42PM 20 THE COURT: All right. What about your position on any
21 remaining factors?

22 MR. KLEIN: Finally, the last factor is involvement of a
23 non-party corporation in litigation. And the CEO of Tianma
24 America has submitted two declarations, one of them in support
03:42PM 25 of Tianma Micro's motion to dismiss and another one in its

1 recent motion to transfer. So they obviously have control over
2 the CEO of that company to provide declarations in support of
3 their arguments.

4 For Tianma Japan, it appears that Tianma Micro has been
03:43PM 5 able to cherry-pick favorable documents for itself.

6 Specifically, there's a license agreement that they believe is
7 at issue. It's the subject of the pending motion for a
8 protection order. So they've been able to get that document
9 from Tianma Japan, and we believe that they can get other
03:43PM 10 documents from Tianma Japan if they desire.

11 THE COURT: All right. Anything further?

12 MR. KLEIN: No, Your Honor. That's all.

13 THE COURT: Mr. Barney, do you want to respond, please.

14 MR. BARNEY: Yes, Your Honor. Thank you very much.

03:43PM 15 As Your Honor correctly pointed out, the plaintiffs have
16 a burden to show the extent of control necessary to satisfy
17 Rule 34 type discovery on a subsidiary.

18 A couple of points that I'd like to just correct. First
19 of all, we did not get that license agreement that he's
03:44PM 20 referring to from Tianma Japan. That was actually in the
21 possession of Tianma China. So that's a factually incorrect
22 statement he made.

23 There is no -- first of all, there hasn't been discovery
24 on the types of factors that you would need -- that they would
03:44PM 25 need to bring to the table to show sufficient control. But I

1 can represent that there is no overlap in the board of
2 directors, for instance, between Tianma China and Tianma Japan.
3 They are separate corporate entities. They maintain that
4 separate identity in the marketplace.

03:44PM 5 THE COURT: Does the parent have total ownership of each
6 subsidiary?

7 MR. BARNEY: Yes, Your Honor.

8 THE COURT: They are wholly owned subsidiaries?

9 MR. BARNEY: Yes, Your Honor. That's correct.

03:44PM 10 There are a few other things that I think are pertinent
11 to the Court's analysis. Some of them touch on these factors,
12 some of them are a little bit adjacent to the factors.

13 One of them is that the scope of the discovery that they
14 are trying to get from Tianma Japan, it's not like some of the
03:45PM 15 case law that you see where sometimes they're looking for one
16 or two specific documents. They are seeking party discovery on
17 Tianma Japan. They want everything from Tianma Japan that they
18 are also seeking from Tianma China. But Tianma Japan is not a
19 party to this lawsuit. They could have brought Tianma Japan in
03:45PM 20 as a party but they chose not to.

21 So there are some problems there in terms of what is the
22 relevance of the technical documents that they are seeking from
23 Tianma Japan if there are no claims against Tianma Japan in
24 this case. There's no claims of infringement against Tianma
03:45PM 25 Japan. I asked them today are they seeking to prove some sort

1 of vicarious liability to hold the parent liable for accused
2 acts of the subsidiary, and the answer was they don't know.

3 So given that there's very little relevance and given
4 that they haven't shown any factors necessary to show control
03:45PM 5 over Tianma Japan --

6 And I would like to go to slide 9, please.

7 I do think the Court has, at least, on occasion, drawn
8 the distinctions when the subsidiary in question is a foreign
9 subsidiary. So I also think it's relevant to just note that we
03:46PM 10 are talking about a parent corporation organized under the laws
11 of China and a Japanese subsidiary organized under the laws of
12 Japan. Standing here today, I don't personally know what those
13 laws are and how they sort of portend on the ability of Tianma
14 China to actually demand production of documents from Tianma
03:46PM 15 Japan. But what I do know is that it's not my burden; it's
16 plaintiff's burden to show those sorts of factors, and they've
17 not done so.

18 The other thing I think is relevant, Your Honor -- and
19 it wasn't mentioned by the plaintiffs -- is this that they
03:46PM 20 filed a 1782 action in California where they sought information
21 from Tianma America, TMA, that they represented was relevant to
22 an ongoing lawsuit between JDI and Tianma China, and prong one
23 of seeking access to documents under 1782 is to prove that
24 Tianma America is a separate entity from the company that is
03:47PM 25 involved in the lawsuit in China. So they represented to the

1 Court in California that Tianma America is a separate entity
2 and not under the control of China; and, here, they seem to be
3 arguing the exact opposite.

03:47PM 4 THE COURT: Can you respond to the representations made
5 by Mr. Klein that there is, in effect, one common composite
6 engineering department for both Tianma Microelectronics as well
7 as Tianma Japan and Tianma America?

8 MR. BARNEY: Yes. We would disagree with that
9 characterization.

10 He is correct that there is contact, as you would
11 expect, between a parent and a subsidiary. But contact does
12 not equate to control. Tianma America is essentially a sales
13 organization, whereas Tianma China is manufacturing.

14 It is true that there is interaction there but I don't
03:48PM 15 -- I'm getting passed a note there. I'm sorry.

16 And your question was about Tianma America; correct?

17 THE COURT: My question was that the representations
18 seem to be, from your opponents, that all of these entities
19 rely on one common central engineering department; and if
03:48PM 20 Tianma America is a sales entity and if Tianma Japan is as
21 well, and Tianma China, as you call it, or Tianma
22 Microelectronics, the parent, has that single centralized
23 engineering function within the parent company, that's
24 something that the Court would be interested in knowing, if --
03:48PM 25 and I understand that a subsidiary that is focused on what the

1 parent would view as foreign sales in both Japan and America is
2 probably an entity that they have targeted and limited to the
3 sales function and not the engineering function. But in making
4 sales of these kind of products, it's completely feasible in my
03:49PM 5 mind that at some point a potential buyer is going to ask an
6 engineering question that the salesperson is not going to know
7 how to answer and they're probably going to pick up the phone
8 or use the email back to the parent in China to say will this
9 work here, will it do this, how do I answer this engineering
03:49PM 10 question. And that kind of centralized resource may bear on
11 this issue, in my mind. That makes logical sense to me.

12 But I'm asking you if that comports with your
13 understanding, or are you telling me that Tianma Japan and
14 Tianma America have their own engineering departments, their
03:49PM 15 own other departments that would represent a standalone
16 independent functioning entity, or are they a sales arm of the
17 parent, that the parent supplies all the support as may be
18 needed to facilitate that sales function that the subsidiary is
19 targeted toward? That's where I'm going with the question.

03:50PM 20 MR. BARNEY: Thank you, Your Honor. And I really
21 appreciate that clarification because it does help me to make
22 sure that I'm answering the question correctly.

23 I'd like to start with TMJ, which is Tianma Japan. They
24 are a completely separate engineering entity. In fact, the
03:50PM 25 information that the plaintiffs are seeking from Tianma Japan

1 are, in fact, the engineering documents for Tianma Japan for
2 products that they manufacture themselves. They are different
3 products.

4 It might be important for Your Honor to know that Tianma
03:50PM 5 Japan did not grow as an entity out of Tianma China. It was
6 actually acquired, but it grew out of a completely different
7 Japanese company called NEC. So you can imagine that it
8 started as NEC, it went through some transmogrifications, and
9 now it's called Tianma Japan. But it has its own DNA. It has
03:51PM 10 its own corporate history. It has its own engineering
11 department. It's got its own way of doing things. Own board of
12 directors, et cetera. Very different company.

13 Tianma America I think might be a little closer to what
14 Your Honor was referring to because it is a sales arm of Tianma
03:51PM 15 China. Standing here right now, Your Honor -- I obviously
16 don't want to misrepresent anything -- I think it's fair to say
17 there is contact between the two companies, but I don't think
18 it's correct to say that they completely share the same
19 engineering department. But I would not be surprised if there
03:51PM 20 are questions along the lines Your Honor posited, calls were
21 being made back to Tianma China.

22 So Tianma America and Tianma Japan are very, very
23 different in terms of their relationship with the corporate
24 parent.

03:51PM 25 THE COURT: How long ago did the parent acquire what is

1 now Tianma Japan or as TMJ, as you call it, as a prior
2 standalone entity or part of NEC or whatever its prior origins
3 were? How much time has passed?

4 MR. BARNEY: 2011, Your Honor.

03:52PM 5 THE COURT: Almost 10 years, or perhaps 10 years
6 depending on when in the year it happened.

7 MR. BARNEY: That's all I have, unless Your Honor has
8 other questions on this particular issue.

9 THE COURT: Okay.

03:52PM 10 Do you have anything further, Mr. Klein?

11 MR. KLEIN: Your Honor, just one additional thing. With
12 respect to Tianma Japan having its own separate engineering
13 department, we also learned during that deposition with Tianma
14 America that Tianma China actually makes some products for
03:52PM 15 Tianma Japan. And it would seem to be counterintuitive if
16 they're a standalone company, with their own engineering
17 department, that Tianma China is actually making products for
18 them.

19 And we haven't been able to explore the extent of those
03:53PM 20 products of how many there are or what they look like, but
21 there appears to be some products that Tianma China is making
22 for Tianma Japan, and it seems like this would be something
23 that we should be allowed to seek discovery about.

24 Nothing further.

25 THE COURT: Thank you.

1 MR. BARNEY: Your Honor, may I be briefly heard on that
2 last point?

3 THE COURT: You may.

03:53PM 4 MR. BARNEY: Just to be clear, Your Honor, Tianma China
5 is and will produce all documents regarding those types of
6 products. So they're going to get full discovery on anything
7 that Tianma China manufactures, regardless of whether they're
8 manufacturing that for Tianma Japan or any other customer.

9 He is correct that Tianma China does manufacture some
03:53PM 10 quantity of the product, but that doesn't change the fact that
11 Tianma Japan is a completely separate, standalone, albeit
12 wholly owned subsidiary, with its own manufacturing facilitates
13 and engineering know-how.

14 MR. KLEIN: Your Honor, if I may, one quick thing.

03:54PM 15 THE COURT: Final go-round, Mr. Klein.

16 MR. KLEIN: One issue to discuss -- I think it's
17 important -- is that Tianma Microelectronics is going to give
18 us whatever Tianma Japan products they have, but they filed a
19 protection order in this case, so that means they have access
03:54PM 20 to more documents that they don't want to provide. So they're
21 seeking protection for something, so that indicates to us that
22 they have possession, custody and control over all of those
23 documents.

24 THE COURT: All right.

03:54PM 25 Well, with regard to the plaintiff's motion in these

1 discrete remaining areas of disagreement, and looking at the
2 various factors as to the issue of the actual nature of the
3 relationship between the parent and these two wholly owned
4 subsidiaries, I'm satisfied that Tianma America meets the test
03:55PM 5 of being part and parcel of the parent corporation, and I'm
6 going to find that the plaintiffs have met their burden under
7 the analysis discussed today, and I'm going to order Tianma
8 America to produce these outstanding discovery items as
9 requested. I don't find that the corporate relationship is
03:55PM 10 such that it would be an impediment to that.

11 However, with regard to Tianma Japan, they clearly are
12 wholly owned by the parent, but it appears they maintain a
13 higher level of independent functionality, and I'm not quite
14 convinced that the plaintiffs met their burden here under the
03:55PM 15 multi-factor test.

16 What I am going to do is I'm going to order Tianma Japan
17 to produce a corporate representative who can be deposed by
18 plaintiff with regard to these issues, and we'll take some
19 discovery on whether the test is met or whether the test is not
03:56PM 20 met. And then I will return to this discovery dispute with
21 regard to Tianma Japan, unless the parties, based on that
22 discovery, can either agree that they're covered or they're not
23 covered.

24 I don't think I know enough to make a decision today on
03:56PM 25 Tianma Japan. I'm satisfied I know enough about Tianma America

1 to make the decision. So that's the Court's ruling on these
2 two areas.

3 I will leave it to the parties to meet and confer as to
4 when and how that deposition can best be taken. It needs to
03:56PM 5 happen sooner rather than later. Okay.

6 MR. FINDLAY: Your Honor, may I ask for one point of
7 clarification on the deposition, or perhaps raise one issue
8 with respect to the deposition?

9 THE COURT: Go ahead, Mr. Findlay.

03:57PM 10 MR. FINDLAY: As Your Honor is well aware, COVID still
11 is ongoing, much more severely in Japan than it is here, is my
12 understanding. It's also been my understanding -- and we
13 talked about this a little bit before -- that, typically, when
14 we used to take depositions in Japan, we would have to do so at
03:57PM 15 the American consulate or embassy, and it's my understanding
16 that those are still closed for non-essential business, and
17 that depositions are considered non-essential business.

18 Might the Court be willing to entertain that we provide
19 that information through some written discovery format, as
03:57PM 20 opposed to the deposition, because of those? I'm not sure
21 whether we could get that done, Your Honor, and I don't want us
22 to be seen as thwarting Your Honor's ruling.

23 THE COURT: Well, I want to afford the parties a large
24 amount of flexibility here. I'm concerned about the
03:57PM 25 information, I'm not so concerned about how you get it, and

1 I'll direct the parties to meet and confer about the
2 possibility of using what are, in effect, interrogatories in
3 lieu of an oral deposition. However, this is not the only case
4 on my docket, as you know, with foreign parties, and there have
03:58PM 5 been many, many issues like the one you just raised in other
6 cases.

7 I'll be candid, the burdens have been higher in the past
8 than they are now. The ability to take a corporate
9 representative of Tianma Japan and move them to some place like
03:58PM 10 Singapore or Macau or some place like that, where they can give
11 a deposition freely and do it virtually and remotely, that's
12 happening in a lot of other cases now.

13 MR. FINDLAY: Yes, sir.

14 THE COURT: So I'm not persuaded your Tianma Japan
03:58PM 15 representative can't be deposed. That doesn't mean -- if you
16 and the plaintiffs can work out a method by way of written
17 question that they can get the information they would otherwise
18 try to seek through the deposition, I'm certainly not going to
19 stand in the way of any such agreement.

03:59PM 20 But just based on what I know from multiple other cases
21 -- and, yes, there are higher levels of COVID in other
22 countries than we have, thankfully. But there are positive
23 indicators in many countries around the world, and there is a
24 loosening of some of what you're complaining about now that
03:59PM 25 didn't exist three, six, nine months ago. So I'm not persuaded

1 they can't be deposed. It may be difficult, but I'm not
2 persuaded they can't be.

3 So, basically, you two sides need to talk about this.
4 And if plaintiff can come up with a list of discrete questions
03:59PM 5 and is willing to do that, I'm certainly not going to stand in
6 the way of it. But I'm not prepared to, just based on the
7 general representations, say that the deposition can't be
8 produced by Tianma Japan's representative. And barring
9 something more specific and grandular than what you've just
04:00PM 10 told me, I'm still inclined to order it, if there's not an
11 alternative means agreed to by both sides.

12 MR. FINDLAY: Understood, Your Honor. Thank you very
13 much.

14 THE COURT: So just to make the record completely clear,
04:00PM 15 I'm directing that that discovery related to the relationship
16 between Tianma Microelectronics, the parent, and Tianma Japan,
17 go forward, and I'm ordering it by deposition of a
18 representative of Tianma Japan, prepared to address those
19 topics as specified by plaintiff. I'm not going to prohibit
04:00PM 20 the parties to agreeing to an alternate means, if they can
21 agree to it, and I'll direct the parties to discuss it and
22 explore it. But barring some mutual agreement to an
23 alternative means, I'm going to order the disposition to go
24 forward. Okay?

04:00PM 25 MR. FINDLAY: Understood. Thank you, Judge.

1 THE COURT: Let's turn our attention to the remaining
2 motion to compel, which doesn't have as much -- well, to my
3 knowledge, there's been really no progress made on resolving
4 the defendant's motion.

04:01PM 5 And I should have specified this earlier. The
6 plaintiff's motion to compel that we've just been dealing with
7 is Document 49 on the Court's docket today. We're going to
8 turn to Document 64, which is the defendant's motion to compel.

9 Why don't we start with a brief overview by the moving
04:01PM 10 defendant, followed by a response by the plaintiff, as to
11 exactly what the problems are here, and then we will get into
12 greater detail as we drill down.

13 Let me hear from the moving defendant first.

14 MR. BARNEY: Thank you, Your Honor. James Barney,
04:02PM 15 again, on behalf of the defendants.

16 By way of background, I think it would be good to know
17 that the plaintiffs and the defendants have similar companies,
18 so JDI and Tianma are both in the business of manufacturing LCD
19 components. And their business model is very similar in the
04:02PM 20 sense that that supply these components to manufacturing
21 entities, who then integrate them or otherwise pass them along
22 to OEMs and other organizations. And as a result, both parties
23 have many, many, many products in their portfolio.

24 And so one problem this has presented -- and this is
04:02PM 25 from the plaintiff's perspective -- is they accuse 2,400

1 products of ours of infringement. But they recognize that that
2 may not be the sum total of all the products that are relevant,
3 and so they asked us to produce similar products. And as Your
4 Honor knows, we have worked very hard with them to come up with
04:03PM 5 a methodology to do that. It may not be perfect, but the
6 parties were able today to hammer out a methodology of using
7 product codes to try to get at, okay, what is reasonably
8 similar to the 2,400 that you've accused of infringement.

9 And part of the problem -- and I'm speaking essentially
04:03PM 10 from the plaintiff's perspective -- is some of those products
11 are actually confidential. So, even if they wanted to, they
12 couldn't find those product codes and information on the open
13 market -- which is true. And so that is part of the reason
14 that they needed us to do that, and we are doing that. That is
04:03PM 15 part of what we hammered out today over the course of several
16 hours. And plaintiffs worked very closely with us, and we were
17 happy to get to an agreement on that.

18 On the defense side, we have the exact same problem. We
19 have accused -- excuse me -- we have asserted that there are a
04:03PM 20 total of about 150 prior art products that the plaintiffs have
21 sold, and that's some that are sold by JDI, others that are
22 sold by the Toshiba entity that got absorbed into JDI so it is
23 now a part of JDI, and a few from Panasonic and Sony as well.
24 So it's totalling about 150.

04:04PM 25 These are prior art products that they manufactured and

1 sold prior to the priority date of the patent. We were able to
2 identify those through investigating public means, if you will.
3 But we are not at all confident that we've got the sum total,
4 just like they weren't confident of what really is the state of
04:04PM 5 the prior art surrounding those products.

6 So we asked them to do exactly what they asked us to do,
7 which is not only to produce information about those products
8 but to produce information about similar prior art products.
9 They have refused.

04:04PM 10 Today, during our negotiations, we asked: Wouldn't it
11 be fair just to use the same exact methodology, you give us
12 your product codes, and we'll work together to essentially
13 create a methodology, just like we did the accused infringing
14 products so that we can be assured that we are getting the true
04:05PM 15 representation of what the stated prior art was surrounding
16 those 150 or so products that we've identified. They have
17 refused.

18 They've demand to know what case can you point to that
19 says that we are required to do that. And I'm not at all
04:05PM 20 trying to be flippant, but my response was goose v gander. We
21 are trying to gather information for our defenses as well as a
22 likely counterclaim which will be deposited with the Court
23 within a few days, so we are also going to be a plaintiff.
24 We're going to be a counter-claimant/plaintiff under the
04:05PM 25 declaratory judgment of invalidity, and so we feel we are

1 entitled to the same scope of discovery that they are entitled
2 to on the infringement side.

3 One of their arguments is, well, that's apples and
4 oranges, because, infringement, the more products that we can
04:05PM 5 discover on the infringements side is expanding our base of
6 damages, basically. Whereas, on the invalidity side, you only
7 need one reference to invalidate our patents.

8 Of course, that's not quite correct. Because unless
9 they're willing to agree that the prior art products that we
04:06PM 10 just happen to be able to put our finger on is, in fact, an
11 invalidating reference -- which I'm sure they're not going to
12 agree to -- we need discovery to make sure that we actually
13 have the best prior art that's available. And we can't get
14 that information because it resides solely with the plaintiffs,
04:06PM 15 because many of those products are, in fact, secret. We can't
16 get that information through any other source other than
17 through the plaintiffs.

18 So we really think this is just a question of fairness.
19 We're asking for the exact same scope of reasonable similarity
04:06PM 20 as they asked for on the infringement side. We don't see how
21 that could possibly be too burdensome on them since they've
22 accused 2,400 and we're actually giving them something in the
23 range of 9,000 sales records and thousands of -- at least,
24 hundreds and hundreds and hundreds of these digital files that
04:06PM 25 they've asked for, and we're only asking for a small fraction

1 of that on the prior art side. So that's a brief summary of
2 the first part of our motion.

3 The second part is a little different. It has to do
4 with damages. Part of their damages case -- they dropped lost
04:07PM 5 profits but they are still maintaining a case for reasonable
6 royalty, and as part of the *Georgia-Pacific* factors, we need to
7 be able to show what a reasonable negotiator would have thought
8 at the time of the hypothetical negotiation. And one of the
9 factors to consider is what is the difference between the
04:07PM 10 non-patented -- the prior art, the non-patented products, and
11 the patented products; what were customers told about those
12 patented features; were they features that customers cared
13 about; were they features that customers were willing to pay a
14 premium for; or are these features that are so sort of
04:07PM 15 minuscule that they fly under the radar and nobody really cared
16 about them. Goes to what a reasonable negotiator would have
17 thought a reasonable royalty is.

18 So we have propounded discovery to them to identify
19 which products of theirs they consider to be a covered product,
04:08PM 20 that is, products covered by the patents, and which products
21 were being sold coterminous with those, at the same time or
22 slightly before, that were not covered by the products, so we
23 can compare the difference in the technical aspect of those
24 products, as well as sales, marketing and purchasing
04:08PM 25 information. We need that information to make out our own case

1 on damages -- to defend against their case on damages, I should
2 say. And, again, we don't feel that this is unreasonably
3 burdensome.

4 We did, today, to try to reach some contours in terms of
04:08PM 5 timelines; could we narrow it down to specific timeframes. And
6 we even offered to narrow it down to basically a representative
7 set of products within each of those categories. But,
8 unfortunately, we were not able to make any headway with that.

9 So that's the overview, Your Honor.

04:08PM 10 THE COURT: All right. Let me hear from plaintiff.

11 MR. KLEIN: Eric Klein, Your Honor.

12 Your Honor, I was -- we were a little surprised to hear
13 that Tianma would be filing counterclaims. They currently have
14 a motion to transfer this pending that was filed 10 months
04:09PM 15 after the complaint was filed. Actually, at 3 o'clock this
16 afternoon, we received notification that the third IPR has been
17 filed; again, 10 months after the case has been filed.

18 And in those IPRs, they tell the -- one was filed on
19 June 8th, one on June 9th, and one today. And we were told
04:09PM 20 today that there were more coming.

21 And in their representation to the patent office, they
22 say that our trial date here is speculative, so they're talking
23 about having counterclaims. But it seems hard to believe that
24 that's going to happen; they're trying to get out of this
04:09PM 25 district.

1 As far as what documents they're seeking, we do need to
2 correct something. They said that we were only willing to
3 produce information about nine products. That's not correct.
4 For the 150 products that they've identified, we're going to
04:10PM 5 give them any documents that we have. We're going to give
6 those to them. We should have the first nine documents that
7 are JDI products produced this week sometime.

8 For the remaining products that are Toshiba, Sony or
9 Sharp products, that they are alleging are -- Toshiba --
04:10PM 10 products from our predecessor, we are reviewing that and
11 looking to see if we have access to those documents. And if we
12 do we're going to give them those documents.

13 What they're seeking is pretty extraordinary. They
14 would like to get -- and in their motion, it says product --
04:10PM 15 they would like to get documents about products incorporating
16 the claim features of the asserted patents and those that do
17 not. They want all of our product information: Past, present
18 and future. They want marketing information, sales
19 information, and all technical documents.

04:11PM 20 Now, there was a proposal that was made throughout today
21 that was an attempt to mirror what we've requested. But we're
22 plaintiffs in this case. We've provided very detailed
23 preliminary infringement contentions, that include hundreds of
24 pages of analysis, to show why similar products should be
04:11PM 25 included in the case. We've taken extraordinary efforts to

1 demonstrate that.

2 What the defendants' doing is basically saying that they
3 should get access to everything that we have, and there's at
4 least three reasons why that shouldn't happen. There's, under
04:11PM 5 the local patent rules, 3-1F, if a party wishes -- claiming
6 patent infringement wishes to preserve the right to rely on for
7 any purpose that their apparatus or instrumentality practices
8 the invention, the party must identify that. So there is a
9 requirement that if we're going to rely on it, we have to do it
04:11PM 10 upfront. And we are not relying on our own products under
11 3-1F.

12 There's also, under 3-2A, the document production that
13 accompanies infringement contentions, that you have to provide
14 information sufficient to evidence each discussion with,
04:12PM 15 disclosure to, or other manner of providing to a third party or
16 sale or offer for sale the claimed invention prior to date of
17 application for the patent-in-suit. There's a requirement that
18 we have to provide all this information. So, to the extent we
19 had this information, it's been provided.

04:12PM 20 What the defendants want to do is go back and have us do
21 a wholesale analysis of all of our products, without regard to
22 dates, without regard to technology. Because they want it if
23 it embodies the claim or if it doesn't embody the claim because
24 they want to make comparisons to it. This seems unprecedented.
04:12PM 25 We couldn't find any authority that would allow them to get

1 this scope of discovery.

2 To the extent that they've identified the products,
3 we're going to give those to them, because we assume they've
4 done their Rule 11 examination of those products to determine
04:13PM 5 that they are relevant to the case. And we're not going to
6 question that, so we're giving them those documents. But to
7 ask us to come in and to analyze our own products with respect
8 to claim features seems to be overly-broad and unduly
9 burdensome to plaintiff's counsel. There doesn't seem to be
04:13PM 10 any support for that.

11 And the third reason, when these patents were filed,
12 there are duties that you have to the patent office,
13 representations that inventors have to make that they are --
14 have a duty to disclose information that's material to the
04:13PM 15 patentability, and we've done that. We've gone back, we've
16 done that.

17 If they have specific information about a product that
18 they think should be identified, and we didn't identify that,
19 they should tell us about that. But having us go back and
04:13PM 20 completely review all of our documents -- again, past, present
21 and future -- for all sales information, all marketing
22 information, and all engineering information, basically, all of
23 the documents we have about every product we've ever made,
24 seems overly-broad.

04:14PM 25 Your Honor, it appears that there -- and I'll use the

1 phrase that our opposing counsel used -- is that's goose for
2 gander. I don't believe that that's something that is proper
3 to use in the context of a patent case when you have a
4 plaintiff and a defendant. There's certain things that
04:14PM 5 plaintiffs are required to do, pre-suit investigation, that is
6 very, very extensive and complex, and we've done that. And the
7 defendants want to come in and say that they have the right to
8 get the same types of documents that we do, after we've
9 provided hundreds and hundreds of charts and pages of documents
04:14PM 10 supporting our preliminary infringement allegations. There's
11 just no justification for that, that we feel. And we tried to
12 work out a deal with them, but it all came back to us having to
13 analyze our own products for claim futures. That's going to
14 put us in a lot of uncomfortable situations where we don't
04:15PM 15 think that we'd be able to agree on things. Like, claim
16 construction. What is a claim feature?

17 We have a Markman hearing coming up in August. And,
18 trying to discuss those things with them now, there's going to
19 be disagreements about what claim features are and what they
04:15PM 20 mean and what we should look for.

21 We just don't think that this is something that -- if
22 it's not taken care of now, we believe we'll just kick the can
23 and find ourself right back in court later on, if it's not
24 addressed now. That's why we felt like we had to oppose this
04:15PM 25 now and couldn't come up with a workable solution.

1 That's all, Your Honor.

2 THE COURT: All right.

3 Anything additional, Mr. Barney?

4 MR. BARNEY: Just a few things, Your Honor.

04:15PM 5 My colleague on the other side has tried to draw a
6 distinction between being a plaintiff and a defendant in terms
7 of what types of discovery you're entitled to. I don't believe
8 that's correct. I think we are entitled to full discovery. We
9 have affirmative defenses that we need to try to make out.

04:16PM 10 He talked about how they provided detailed claim charts
11 on their infringement reads. We would love, Your Honor, to be
12 able to provide detailed invalidity charts based on the prior
13 art products we've identified, and we will absolutely do so as
14 soon as they produce those to us. We requested those back in
04:16PM 15 March. 150-plus prior art products that they manufactured and
16 that they have complete possession of and have access to. It's
17 now June, and we still don't have the first one. They say they
18 are going to produce nine of them to us. We have requested
19 150, and we haven't even gotten the first one. So we can't
04:16PM 20 even begin to do claim charts until we get the technical
21 specification from them, which are in their possession. They
22 are not public. They were sold, so they're prior art. But the
23 technical details of them are in their possession, and we don't
24 have access to them.

04:16PM 25 The other factors, the other things he went through, I

1 don't think are terribly relevant. The fact -- this goes more
2 to the sales -- to the damages part of our request. But it is
3 true that if they intend to rely on their own products as part
4 of a damages case, they have to identify that. But that
04:17PM 5 doesn't mean we can't rely on their products as part of our
6 damages theory of the case because it's relevant to the
7 *Georgia-Pacific* products. And that's exactly what we intend to
8 do. We would like to rely on the covered products, the ones
9 that are covered by their patents, as well as the ones that are
04:17PM 10 not covered by their patents, to discover whether -- in terms
11 of how customers view those, and in terms of sales, and in
12 terms of whether they're able to charge a premium, whether it
13 made any difference. That goes directly to a reasonable
14 royalty.

04:17PM 15 THE COURT: How much time has passed between the
16 identifying of these 152 prior art devices and today, when,
17 despite representations of 10 of them being produced, you
18 haven't gotten anything?

19 MR. BARNEY: I believe, since March. March 3rd, Your
04:17PM 20 Honor.

21 THE COURT: Do you want to tell me, Mr. Klein, why you
22 haven't been able to deliver anything? We can talk about
23 whether it should be 10 or 152; but, right now, we're sitting
24 on zero. Tell me why that's the case, with this having been
04:18PM 25 tee'd up three months ago or going on four months ago.

1 MR. KLEIN: Yes, Your Honor. We've been working on
2 several discovery disputes with the defendants in the case. I
3 do believe that we're working diligently towards getting all of
4 that done. I'm not -- the reason that it hasn't been produced
04:18PM 5 is we're still working on gathering that.

6 For the nine products, we have no excuse for that.
7 We're going to get it produced this week.

8 For the other products, they're not JDI products. But
9 to the extent we have them, we will get them out very quickly.

04:18PM 10 I would also note that we have accused, as Mr. Barney
11 said, 2,400 products, and we've only received technical
12 documents for 100 products so far. So the parties are working
13 together to try to get that done, but I don't think Tianma is
14 doing much better. And we're hoping that the hearing today and
04:19PM 15 agreements that we made will shed some light on that.

16 As far as pleading the defenses, they don't have any
17 affirmative defenses, they don't have counter-claims. They
18 haven't answered in the case yet. They filed a motion to
19 transfer. And under Rule 26, you shouldn't be able to take
04:19PM 20 discovery about speculative or anticipated or likely potential
21 claims or defenses, so we would like to note that for the
22 Court.

23 But we will get those documents produced as soon as
24 possible; very quickly.

04:19PM 25 THE COURT: Mr. Barney, you told me a minute ago you

1 were about to file counter-claims in this case. When do you
2 anticipate that happening?

04:20PM 3 MR. BARNEY: If I understand correctly, they are due on
4 the 23rd, which is this Wednesday. And what we anticipate is
5 affirmative defenses, including of invalidity and a
6 counter-claim for declaratory judgment of invalidity.

7 THE COURT: Okay.

8 The typical discovery cross, counsel, as you well
9 understand, is an evolving process where you produce what you
04:20PM 10 know about, what you can easily lay your hands on, and that
11 generally leads to the next step down the path and the next
12 step down the path, whether it's on the infringement side on or
13 the invalidity side.

14 And, quite honestly, telling me why the other side
04:21PM 15 hasn't produced much is not generally a good defense for why
16 you haven't produced much.

17 Mr. Klein, I'm going to order these responses concerning
18 the 10 JDI products and the one Panasonic product. And maybe
19 I'm characterizing them wrong, but there's something on the
04:21PM 20 order of nine or 10 that you're ready and should have already
21 produced. You are going to produce those within the next
22 10 days.

23 And then, Mr. Barney, you're going get the benefit of
24 seeing those; and if that leads to a little more knowledge
04:21PM 25 where you can take the next step, then you're going to take the

1 next step. And the same thing is going to happen on the
2 infringement side.

3 And 2,400 products is a whole lot of products to accuse,
4 but I don't know if they are 2,400 distinct products. I
04:22PM 5 suspect that there may be a much smaller group where there's
6 slight variations on a whole lot of products within each sub
7 part.

8 But, nonetheless, I expect the process to go forward
9 from both sides. And I'm going to do this. I'm going to order
04:22PM 10 the plaintiff to produce these nine or 10 groups of evidence
11 that they've already identified within 10 days, and then I'll
12 carry the balance of this motion.

13 If this needs to be a continuing process, I'm happy to
14 make you all come to Marshall, Texas, as many times as it takes
04:22PM 15 to keep the wheels turning. There are more efficient and
16 cost-effective ways for this process to go forward than for me
17 to do that. But the plaintiff should have taken that step by
18 now, and there's really not much excuse for it, and they're
19 going to so do promptly. And then I'll be open to what that
04:23PM 20 leads the defendant to ask for next.

21 And the same thing is going to work in the opposite
22 direction.

23 And if you all can't coordinate this process between
24 yourselves, I'll be happy to hold your hand periodically and
04:23PM 25 have you come back here and I'll do it for you. But I suspect

1 that that's not what your clients want, and I suspect that
2 that's not what your clients wants to pay for.

3 So at this point I'm prepared to order plaintiff to
4 produce those items within 10 days. And then I want both
04:23PM 5 sides, after there's an opportunity to look at it and analyze
6 it, step back and re-engage.

7 I'm not going to close this motion. I'll leave it open.
8 And I want to hear from you after these have been produced,
9 there's been an opportunity to review them. I want a joint
04:24PM 10 status report in 21 days as to where this process stands. And
11 I may have to make you file joint reports and bring you back
12 and go through this as many times as it takes. There's a hard
13 way and there's an easy way, and which way we go is not up to
14 me, it's up to you all.

04:24PM 15 But that's what I'm prepared to do at this point. And
16 then we'll reassess the situation after what's already should
17 have been produced has been, and we'll see where we go from
18 there.

19 Any questions about my ruling?

04:24PM 20 MR. BARNEY: No, Your Honor.

21 MR. KLEIN: No, Your Honor.

22 THE COURT: All right.

23 Is there anything else that you're aware of that's not
24 been raised with me this afternoon that you believe is
04:24PM 25 appropriate and fully briefed and ready to be raised?

1 I'm aware of some of these other motions you've alluded
2 to, but they haven't been fully briefed yet.

3 MR. KLEIN: Nothing from plaintiffs, Your Honor.

4 MR. BARNEY: Nothing from defendants, Your Honor.

04:25PM 5 THE COURT: All right. That will complete today's
6 hearing before the Court. The court stands in recess, and
7 you're excused, counsel.

8 [PROCEEDINGS IN RECESS]
9

10 OFFICIAL COURT REPORTER'S CERTIFICATE

11 I (we) certify that the foregoing is a correct
12 transcript of proceedings in the above-entitled matter.
13

14 /S/ Susan A. Zielie, RMR, FCRR

15 Susan A. Zielie, RMR, FCRR
16 June 30, 2021
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